

# The Knoxville Subregion

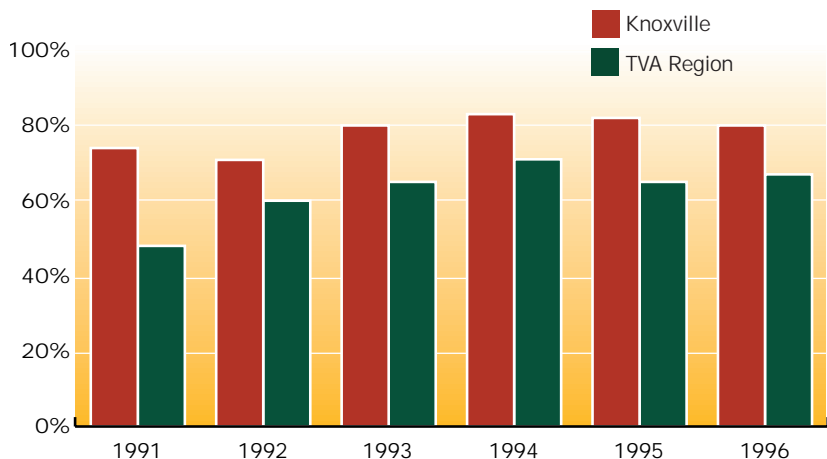
**T**he forecast for the Knoxville subregion's economy calls for growth matching the strong regional performance expected in 1998. As with the rest of the Valley, however, this expansion will be considerably slower than the rapid growth of the early 1990s. Indeed, the subregion's economic fortunes have pretty much matched those of the Valley as a whole throughout the decade, though with some differences.

The sizable migration into the subregion has pushed population growth even higher than in the rest of the Valley (*see chart, right*). Although the rate of growth has slowed, it remains considerably above the national average, a sign of the economy's general good health. This migration has resulted from the subregion's fast economic expansion in the first half of the 1990s as certain industries—business services, tourism, and auto-related manufacturing in particular—created a large number of jobs.

Because the subregion is a prime location for investment in the auto-parts industry, durable-goods manufacturing in general is expected to expand in 1998. Boatbuilding has also revived, and manufactured housing in the subregion, as exemplified by Clayton Homes (one of the Edge 100 firms), has been holding its own in spite of a degree of weakness in the industry overall.

Nondurables, on the other hand, have not fared well. The major drag on Knoxville's economy is the apparel and textile industries, which have lost almost 20 percent of their employment in the past few years. Those declines are expected to continue in 1998, but at a slowing rate. Nondurables manufacturing has also been affected by cuts in govern-

NET MIGRATION AS A PERCENTAGE OF TOTAL POPULATION GROWTH

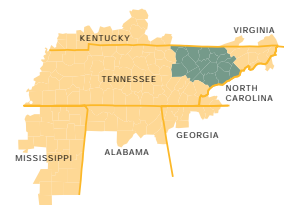


*The Knoxville subregion has experienced substantial migration since 1991.*

ment spending, particularly in chemicals (the classification given to the Department of Energy's Oak Ridge facility).

Knoxville's expansion in services has occurred in a variety of businesses, from tele-marketing to spin-offs of technology from government agencies. Here again, federal downsizing has had an effect as lower levels of activity by government contractors flattened out the growth in engineering and professional services. Tight government budgets are expected to continue slowing the subregion's growth in 1998, although as more firms take advantage of the available skilled labor, business services will expand. This growth, however, won't reach the very fast rates experienced in the early 1990s.

Tourism should remain a plus for the Knoxville economy. Visits to area attractions have reportedly increased over last year, and the trend is expected to hold in 1998 as investors continue to pour money into the area around Pigeon Forge. This expansion will engender a growth in consumer services, including stores, hotels, and amusements.



Alliance Engines of Maryville, Tennessee, is a state-of-the-art jet-engine repair plant that faced closure last year when its two main investors pulled out. With funds from various sources, including \$1 million from TVA's Economic Development Loan Fund, Alliance was saved. It expects jobs to increase from 80 to 400 in the next five years.